

Management Agreement Fact Sheet

What is a Management Agreement

Management agreements state the rules in which a manager will look after the business, promotion and touring aspects of a band. The management agreement also states how the band will pay the manager for the services they provide.

When do you need a Management Agreement

Artists/ Bands should seek to enter into a management agreement when they start working closely with someone (be it an individual or company) in a management capacity, usually on several aspects of their career. Payments and responsibilities of the manager should be agreed upon early in the relationship, particularly to avoid conflict when the band begins to earn significant revenue from recording, touring and other means.

Why do you need a Management Agreement

There are many ways in which a manager can assist a band, earn a band additional income and suggest ways for the band to spend that income too. Therefore it is very important to strictly set out what the manager will actually do for the band and what their rights and responsibilities to the band are. This should be agreed upon by all members of the band and the manager to ensure that the relationship is mutually beneficial and understood by all parties.

How to use this Fact Sheet and included Checklist

Included with this fact sheet is a checklist of many of the issues you and your band members should agree on. The checklist will give you a quick idea of the key terms of a contract whilst this fact sheet provides added details on key clauses. For ease of reference, all clause numbers used in the Checklist will be mirrored in this Fact Sheet.

By referring to both these resources, we believe that you will be in a position to better decide whether or not to sign on that dotted line, and how to better negotiate getting there!

Key Terms of a Manager Agreement

Clause 1 Manager Details

This will be fairly straightforward unless a band chooses to sign with a management company, instead of an individual. In this instance, the band must determine whether the person who looks after them at the management company is the drawcard for signing with that company and if their relationship with that company is tied directly to that person. A "key person" clause states that a band can exit their management contract if that person leaves the management company and the band wants to follow them. This clause will have limited application outside management companies.

Clause 3 Territory

Usually a manager will look after a band's affairs within a specific territory – eg. Australia. Bands should, in most cases, only extend the manager's territory to, say, the US and the UK, if that manager has the required standing, experience and networks to properly push that band in those territories. Bands need to get the best possible services they can get for their money and should specifically choose their managers based on their territorial expertise and ability.

If a band chooses a different manager for another territory, management from each territory may seek to get a small percentage of income from other territories. This is to compensate the manager for developing the bands profile to an extent that encouraged the overseas interest in them.

Clause 4 Term

There are many ways in which managers and bands can work out how long a management agreement should go for. An agreement will often be for a fixed number of years and at the end of contract, the manager (or both parties by agreement) has the option to decide whether they want to extend the term and continue working with each other.

If a band is cautious, they may first want to enter a probationary period which is often only several months long. This allows both parties to "test the water" in working closely with each other and to decide without the pressure of a long term contract whether or not to continue the relationship.

Clause 6 Remuneration

Management agreements usually state that a manager will get paid a specific percentage of what the band earns. It is vital to understand exactly which forms of income the manager will be entitled to earn their income from.

For example, will their percentage be based on the total \$1,000 from playing a show? But what if the band had to shell out \$600 in transport and accommodation to play that show? You may decide that the manager gets 20% of the bands net income – that means total income, less the bands expenses. There are many other costs associated with a band so it is essential to determine which costs will be applicable to the manager and which are not.

Clause 7 Services of Manager

Both the manager and the band must always know exactly what the manager is contracted to do under a Management Agreement. This may include setting up appearances, tours, special events, digital promotions, etc. From the manager's perspective, it is important to make sure the band doesn't have unrealistic expectations of what duties management perform.

Managers will usually seek to sign the band exclusively. This means that the band cannot work with other managers.

It may be the case that the manager gets an opportunity to sign bands up for expensive transactions or contracts. For example, buying a vehicle to be used for touring purposes. It is recommended that bands request sign off on any contract that is over a certain financial threshold. This encourages consultation between the band and the manager and make sure that everyone is in agreement before the transaction has occurred.

Clause 8 Arrangements for Banking and Accounting

An important aspect in handling a bands income is to establish a system of checks and balances to ensure that all accounting is clear and above-board. This is usually achieved by establishing a bank account where any withdrawals of money must be approved by a band member as well as the manager – so that no one person is solely responsible or has access to the finances of the band. To further protect the interests of both parties, you may nominate to hire an independent accountant who regularly audits the band's books to ensure no accounting errors or misuse of funds is occurring.

Clause 9 Remuneration upon Termination

If a band chooses to terminate their management agreement, it could be unfair for the manager to stop receiving a share of the band's income from that date. As the effect of the manager's services will continue to be felt by the band beyond the termination of the agreement.

For example, if the manager gets 3 major radio stations to play a bands music and the month after, the band fires the manager, the band will continue to earn income from the interest generated from the airplay following termination, whilst the manager would be left with nothing after doing all the hard work.

To address this, the parties will usually agree that the manager will receive a percentage of income from future band income – but this percentage will decrease over time. For example, the manager may get 10% for the first year after termination, then 5% percent for the next year and then 2% for the year after.

Clause 11 NSW Manager's Licence

It is a requirement that managers working in the entertainment industry in NSW hold a specific licence. This was introduced to stop unregistered industry professionals taking advantage of artists and ultimately reduce the risks for creatives in the entertainment industry. It is therefore illegal to work as a band manager without such a licence.

Proposals to change the Act have been made and approved by the NSW Government – agents and managers should keep on top of developments in this area as they may effect your business when they come into effect.